Dear comcom

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I am making a submission as I do not think the merger of Trade Me (TM) should be approved. To approve the merger will strengthen an already substantial degree of market power held by Trade Me and will materially disadvantage consumers who are vendors of residential property. Rationale is:

1. TM is owned by a US based team of PE investors who are aggressive investors seeking to generate outperformance returns largely using the pricing lever in the businesses they invest in. You should expect them to push every boundary further than a locally owned business in the interests of generating returns. They will have an ownership time line of circa 5 years and they will understand that Trade Me at this point in time has a substantial degree of market power that can be exploited to generate outsize investor returns. To provide a view on TM ethics, TM did not repay a substantial Gov covid subsidy even though TM generate substantial profits. This behavior is reprehensible but is representative of the owners of such a PE firm like Apax who will strongly favor returns over any form of social ends.
2. The market should be defined as digital marketing of residential real estate for sale. Whilst there are adjacent and overlap markets achieving similar things e.g billboards, radio, print etc these pale in significance to the extent that digital online advertising for sale is its own market.
3. When sizing the market you should look at “share of profit”. TM likely has 80% + of the profit margin from the market and an incremental additional dollar of revenue to TM is likely to be 90% + margin as the business will be heavily a fixed cost base.
4. Do not be misled by looking at share of revenue or of “views” of a listing as neither of these give a guide to the degree of power a participant has in the market. Whilst print may still be close to digital in terms of revenue, it’s margin is ~20% of that of digital. Also the volume of listed houses in print is a small subset compared to digital.
5. Do not include commercial for sale, commercial for lease, resident for rent etc in the market definition or sizing, these are different markets with different consumers and often different agencies.
6. You need to take into account a number of aspects of the market that enable TM to gain power. Residential for sale listings are vendor funded to the tune of circa $1800+ per property so it is the consumer largely paying TM via a middle man called an agent. Vendors agree to what an agent recommends in terms of marketing spend circa 80% of the time. Consumers are not by and large informed to make a decision on marketing their biggest asset. Agents spend consumer marketing money to market the listing as well as themselves. The value is likely 50/50 although agents won't admit this.
7. Do not be misled by the “private listings” market where consumers interact with TM direct. This is a small and declining sub market as consumers move to use agents.
8. The Auckland market is worth at least double the national market at a listing level as houses are worth more and ability to pay is higher and the agents are skilled at gaining vendor funding and competition amongst agents is higher hence they need to market themselves.
9. Agents build their business using consumer paid advertising, this aspect is very unique hence TM will try to partner with agents to gain funding from consumers. The

combo of TM network effect and the agent ability to extract funding from consumers lets the price of a listing grow at such a high rate.

10. Residential listing market in NZ and AU is unique in being almost fully vendor paid. Most markets globally are not. Residential for rent market in NZ is not vendor paid except on the margins.
11. Look at TM history of increasing revenue from agents. Go back to 6 to 10 years and look at the history of pricing and the astonishing growth. This can only be achieved without having material competition.
12. Look at the the history in AU particularly of realestate.com.au of moving from a low subscription offer for all listings per month to an average listing in city markets of over $1000 for a listing
13. TM will be aiming to achieve 20% to 30% growth revenue growth and you should be able to discover this in TM records. This growth level is extremely high and can only be achieved with market dominance.
14. Real estate agency owners will know TM pressures them up a product hierarchy at a higher price by increasing value in higher tiers and reducing value but increasing price in lesser standalone products. I believe this approach is highly lucrative to ™ but can only be achieved by having substantial power.
15. In merging with Homes, TM will be seeking to combine Homes value into their higher tier products and at the same time reduce value and increase price in lower tiers. This will be accomplished due to their power and all the cost increase will be passed on by agents to vendors.
16. The volume of views on a listing is a misleading measure. The power of TM is better viewed as the respective volume of qualified buyers and this can be found in enquiry numbers to agents vs the competition. You'll find TM years ahead.
17. Most markets like this globally see the number one player fully control the market and own the vast majority of profit. This should not be allowed to occur in NZ.
18. Gaining listings is the easy part of creating the 2 sided market place hence you see Oneroof, Homes, Stuff, Realestate, Hoegarden all have good volume of listings. Building the consumer side of the market place has substantial cost barriers. Oneroof can probably build the consumer side but they are new and need a number of more years to lift their level of competition and build the consumer side. TM will claim they already have it based on view volumes but this is misleading and you need to look at buyer enquiry levels which is what agents and consumers actually want.
19. Without the Homes merger TM can build what Homes has but this will take time and that time is critical in this market. E.g it might take TM say 3 to 5 years to build a Homes asset in data and engaged consumers around property data, this time is needed to allow the market to become more competitive.
20. Whilst Facebook as an offering in the form of "marketplace" and on posting to newsfeeds. The news feed product does not scale as consumers would switch off when too many listings came into their feed. The marketplace product could hypothetically build a consumer base however this is very unlikely and it is more likely it will remain small or possibly build a consumer strength for resident rentals only.

To summarize the merger will strengthen an already substantial degree of market power in TM. TM will use this power to gain close to 90% plus of available margin, the cost to consumers will move into the $500 to $1000 range for listing a residential house in Auckland and this price can only be gained through having an untouchable network effect strength. You need to do the right thing for NZ consumers and decline to approve the merger as this will enable other competition to improve against TM as this will produce a more acceptable level of competition in the market and keep prices to consumers substantially lower.